

**REPORT OF THE AUDIT OF THE
CLARK COUNTY
SHERIFF**

**For The Period January 6, 2003
Through December 31, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLARK COUNTY SHERIFF

**For The Period January 6, 2003
Through December 31, 2003**

The Auditor of Public Accounts has completed the Clark County Sheriff's audit for the period January 6, 2003 through December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Revenues increased by \$124,959 and expenditures increased by \$195,335 from the prior year primarily due to the increase in the receipt and repayment of borrowed money.

Report Comments:

- The Sheriff Should Eliminate The Deficit In His Fee Account
- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only
- The Sheriff Should Deposit All Funds Received On A Daily Basis
- The Sheriff's Quarterly Financial Report Should Be Prepared In The Required Format And Submitted In A Timely Manner
- The Sheriff's Fee Account Settlement Should Be Filed By September 1 Each Year
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	5
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS	9
COMMENTS AND RECOMMENDATIONS	13
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John W. Myers, Clark County Judge/Executive
Honorable Ray E. Caudill, Clark County Sheriff
Members of the Clark County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Clark County, Kentucky, for the period January 6, 2003, through December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the period January 6, 2003, through December 31, 2003, in conformity with the regulatory basis of accounting.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.



The Honorable John W. Myers, Clark County Judge/Executive
Honorable Ray E. Caudill, Clark County Sheriff
Members of the Clark County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 11, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Eliminate The Deficit In His Fee Account
- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only
- The Sheriff Should Deposit All Funds Received On A Daily Basis
- The Sheriff's Quarterly Financial Report Should Be Prepared In The Required Format And Submitted In A Timely Manner
- The Sheriff's Fee Account Settlement Should Be Filed By September 1 Each Year
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Clark County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 11, 2005

CLARK COUNTY
RAY E. CAUDILL, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 6, 2003 Through December 31, 2003

Revenues

State - Kentucky Law Enforcement Foundation Program Fund		\$	38,482
State Fees For Services:			
Finance and Administration Cabinet	\$	72,471	
Cabinet For Human Resources		<u>2,100</u>	74,571
Circuit Court Clerk:			
Sheriff Security Service	\$	61,961	
Fines and Fees Collected		<u>6,235</u>	68,196
Fiscal Court			93,067
County Clerk - Delinquent Taxes			1,461
Commission On Taxes Collected			360,293
Fees Collected For Services:			
Auto Inspections	\$	11,827	
Accident and Police Reports		466	
Serving Papers		32,385	
Carrying Concealed Deadly Weapons Permits		<u>8,030</u>	52,708
Other:			
Insurance Proceeds	\$	2,039	
Transporting Prisoners		1,128	
School Resource Officer		11,598	
Fiscal Court Fees		15,620	
10% Add on Fees		37,571	
Advertising Fees		3,855	
Miscellaneous		<u>9,845</u>	81,656
Interest Earned			1,614
Borrowed Money:			
State Advancement	\$	160,000	
Bank Note		<u>179,893</u>	339,893
Total Revenues			\$ 1,111,941

The accompanying notes are an integral part of the financial statement.

CLARK COUNTY

RAY E. CAUDILL, COUNTY SHERIFF

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 6, 2003 Through December 31, 2003

(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 492,762

Other Salaries 9,898

Employee Benefits-

Employer's Share Social Security 39,936

Employer's Share Retirement 5,722

Contracted Services-

Advertising 1,205

Vehicle Maintenance and Repairs 27,117

Materials and Supplies-

Office Materials and Supplies 10,334

Uniforms 8,031

Law Enforcement Equipment/Supplies 20,659

Auto Expense-

Gasoline 37,959

Other Charges-

Dues 1,101

Postage 4,999

Transporting Prisoners 925

Training Expenses 1,080

Insurance Proceeds 787

Fiscal Court Filing Fees 15,620

Bond 508

Carrying Concealed Deadly Weapons Permits 5,290

Miscellaneous 217

Capital Outlay-

Office Equipment 3,516

Vehicles 29,280 \$ 716,946

Debt Service:

State Advancement \$ 160,000

Bank Note 179,893

Interest 1,382 341,275

Total Expenditures \$ 1,058,221

Less: Disallowed Expenditures

VISA Transactions \$ 3,291

Late Payment Penalties and Fees 269 3,560

Total Allowable Expenditures \$ 1,054,661

Net Revenues \$ 57,280

Less: Statutory Maximum 66,030

Total Fund Deficit as of December 31, 2003 \$ (8,750)

The accompanying notes are an integral part of the financial statement.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT

For The Period January 6, 2003 Through December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
For The Period January 6, 2003 Through December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Note Payable

The office of the County Sheriff was liable for an unsecured note payable (Line of Credit) to Community Trust Bank, Inc. in the maximum amount of \$45,000. The purpose of the note was for operating expenses of the Sheriff's office. The note matured on July 3, 2004 and the interest rate was a variable rate. The outstanding principal balance due as of December 31, 2003 was \$12,762.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
For The Period January 6, 2003 Through December 31, 2003
(Continued)

Note 5. Leases

A. Copier

The Clark County Sheriff's office is committed to a lease agreement with Kyocera Mita America, Inc, for a Km-3530 Digital copier. The agreement requires a monthly payment of \$218 for 48 months to be completed in November 2005. In addition to the \$218 monthly payment, the agreement calls for an additional \$15 payment for insurance on the copier. The balance of the agreement was \$5,014 as of December 31, 2003.

B. Automobiles

1) The Clark County Sheriff's office is committed to a lease agreement with Huntington LT (an affiliate of Huntington National Bank), for a 2003 Dodge Ram 1500 SLT Quad Cab Pick-up Truck. The agreement requires a monthly payment of \$554 for 36 months to be completed in January 2006. The total balance of the agreement was \$13,858 as of December 31, 2003.

2) The Clark County Sheriff's office is committed to a lease agreement with Leasing One Corporation, for two 2003 Ford Crown Victoria Police Cruisers. The agreement requires an annual payment of \$18,633 for three years to be completed in November 2005. The total balance was \$37,266 as of December 31, 2003.

C. Radar Units

The Clark County Sheriff's office is committed to a lease agreement with Applied Concepts, Inc., for four Stalker radar units and all necessary associated equipment. The agreement requires a monthly payment of \$278 for 36 months to be completed in June 2006. The Sheriff made a total of seven payments from the 2003 fee account. The balance of the agreement was \$8,069 as of December 31, 2003.

D. Laptop Computer

The Clark County Sheriff's office is committed to a lease agreement with Fleet Capital Leasing, for a Gateway 400L laptop computer. The agreement requires a monthly payment of \$74 for 36 months to be completed in April 2006. The Sheriff made a total of six payments from the 2003 fee account. The balance of the agreement was \$2,212 as of December 31, 2003.

Note 6. Special Accounts

A. Special Investigation Account

The Clark County Sheriff's Special Investigation Account had a balance of \$0 on January 6, 2003. During the audit period \$8,686 was transferred from the former Sheriff and interest of \$20 was received. \$605 was expended from this account. The balance of this account as of December 31, 2003, was \$8,101.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
For The Period January 6, 2003 Through December 31, 2003
(Continued)

Note 6. Special Accounts (Continued)

B. DARE Account

The Clark County Sheriff's DARE account had a balance of \$0 on January 6, 2003. During the audit period \$19,569 was transferred from the former Sheriff, \$64 was received in interest, and \$450 in contributions were received. Expenditures of \$1,427 were made for DARE related items and during the audit period it was determined this account also contained monies from firearm sales and court ordered confiscations; therefore the Sheriff transferred \$13,745 to the Interdiction Account. The balance of this account as of December 31, 2003, was \$4,911.

C. Sheriff's Interdiction Account

During the period January 6, 2003 thru December 31, 2003, the Clark County Sheriff opened the Interdiction Account to account for seized property and court ordered forfeitures. During the period \$13,745 was transferred from the DARE Account, \$16,576 was received in forfeited funds, and \$40 in interest was received. Expenditures totaled \$21,789. The balance of this account as of December 31, 2003, was \$8,572.

D. Equipment Grant Account

During the period January 6, 2003 thru December 31, 2003, the Clark County Sheriff was awarded a Local Law Enforcement Block Grant in the amount of \$5,000. This grant is to purchase two radar units and three preliminary breath tests. During this period \$5,000 was received from the granting agency, \$556 in local match was received from the Sheriff's fee account, and \$1 in interest was received. No funds were expended. The balance in this account at December 31, 2003, was \$5,557.

CLARK COUNTY
RAY E. CAUDILL, COUNTY SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2003

Assets

Cash in Bank	\$ 5,783
Deposits in Transit	96,619
Receivables:	
Tax Accounts (Tax Account Change Fund)	600
Sheriff - Personal Reimbursement for Disallowed Disbursements	3,560
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Total Assets	\$ 106,562

Liabilities

Paid Obligations:

Outstanding Checks	\$ 5,111
State Treasurer-	
State Advance	60,000
Carrying Concealed Deadly Weapons Permits	270
Other-	
Gasoline	2,835
Vehicle Maintenance	3,939
Law Enforcement Supplies	2,878
Payroll	11,327
Office Supplies	444
Advertising	223
Filing Fees	1,600
Bank Note - Principal	12,738
Bank Note - Interest	176
Cruiser Lease	554
Bond	102
Training	60
Miscellaneous	60
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Total Paid Obligations	\$ 102,317

Unpaid Obligations:

Due to 2004 Fee Account:

2003 Outstanding Bank Loan Principal Paid From 2004 Fee Account	\$ 12,762
2003 Copier Lease Payment Paid By 2004 Fee Account	233
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Total Unpaid Obligations	<hr/> 12,995
Total Liabilities	\$ 115,312
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Total Fund Deficit as of December 31, 2003	\$ (8,750)

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COMMENTS AND RECOMMENDATIONS

CLARK COUNTY
RAY E. CAUDILL, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 6, 2003 Through December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only

During our audit of the Sheriff's fee account for the period January 6, 2003 through December 31, 2003, we conducted extensive testing of the Sheriff's expenditures. As a result of our test procedures we have identified a total of \$3,560 in expenditures that are not considered allowable. Technical Audit Bulletin 93-001(TAB 93-001), Section 3 enumerates thirteen categories of expenditures that are not considered allowable for fee account purposes. Our testing procedures indicate the Sheriff made the following expenditures specifically identified in TAB 93-001:

Penalties for late payments - \$269

**VISA Transactions - \$3,291

** - Disallowed VISA transactions include Finance Charges (\$146), Late Fees (\$180), Undocumented Expenditures (\$2,483), Personal Expenditures (\$42), and Overpayments (\$440).

We recommend the Sheriff maintain proper and accurate documentation for all expenditures, refrain from making expenditures unrelated to office business, and that all payments be made in a timely manner and in the correct amount, in order to avoid late fees, finance charges and overpayments. We also recommend the Sheriff deposit personal funds in the amount of \$3,560 into the 2003 fee account in order to reimburse the official account for these disallowed expenditures.

Sheriff's Response:

Will deposit the sum of \$3,560 this date into 2003 fee account.

The Sheriff Should Deposit All Funds Received On A Daily Basis

On January 29, 2003 the Sheriff received a check in the amount of \$8,686 for the remaining balance in the prior Sheriff's "Special Investigation" account. The Sheriff subsequently opened a "Special Account" for the deposit of these funds. On February 5, 2003, the Sheriff deposited \$3,686 into this account and retained \$5,000 in cash to be used in drug investigations. Technical Audit Bulletin 93-002, Section 3 requires the Sheriff "to deposit all public funds received into an official bank account on a daily basis." On February 2, 2005, the Sheriff conducted a cash count of the amount retained for investigations. All of the funds retained for drug investigations were accounted for. The cash on hand was then deposited into the "Special Account". We recommend the Sheriff adhere to the requirements of Technical Audit Bulletin 93-002 by depositing all public funds received into an official account on a daily basis.

Sheriff's Response:

New policy implemented to allow for minimal funds for drug investigation on an as needed basis.

CLARK COUNTY
RAY E. CAUDILL, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 6, 2003 Through December 31, 2003
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

The Sheriff's Quarterly Financial Report Should Be Prepared In The Required Format And Submitted In A Timely Manner

The Sheriff did not submit a December 31, 2003 Quarterly Financial Report to the Governor's Office for Local Development (GOLD) within thirty days as required. GOLD requires quarterly financial reports to be submitted to their office "by the 30th day following the close of each quarter." Additionally, quarterly financial reports are required to have four sections identified as follows; (1) a summary and reconciliation section for all accounts of the office; (2) a section reflecting receipts by source and amount; (3) a section reflecting expenditures by payee and amount; and (4) a section in which all debt of the office is reflected. The Sheriff's December 31, 2003 Quarterly Financial Report did not contain the section reflecting all debt of the office. We recommend the Sheriff prepare quarterly financial reports in the format described above and that these reports be submitted to GOLD in a timely manner as required.

Sheriff's Response:

We are submitting quarterly reports in a timely manner.

The Sheriff's Fee Account Settlement Should Be Filed By September 1 Each Year

On January 12, 2005 the Sheriff presented to the fiscal court his fee account settlement for the period January 6, 2003 through December 31, 2003. KRS 134.310 (1) requires the settlement to be filed "no later than September 1 of each year". We recommend the Sheriff file his fee account settlement by September 1 of each year as required.

Sheriff's Response:

It is expected that future settlements be presented in a timely manner.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

The Sheriff Should Eliminate The Deficit In His Fee Account

Based on available records, there was a deficit of \$8,750 in the Sheriff's fee account as of December 31, 2003. There were unpaid obligations of \$12,995 (\$12,762 due the 2004 fee account for reimbursement of the payment of the outstanding bank loan balance of the 2003 fee account and \$233 due for a 2003 copier lease payment made by the 2004 fee account), receivables of \$4,160 (\$3,560 disallowed expenses (due from Sheriff's personal funds) plus \$600 tax account change fund) and an \$85 bank balance. We recommend the Sheriff deposit \$8,750 from personal funds in order to offset the deficit and to satisfy unpaid liabilities of the 2003 fee account.

Sheriff's Response:

Will deposit the sum of \$8,750 this date into 2003 fee account.

CLARK COUNTY
RAY E. CAUDILL, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 6, 2003 Through December 31, 2003
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:
(Continued)

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He should document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Sheriff should document this by initialing the quarterly financial report.
- The Sheriff should periodically compare invoices to payments. The Sheriff should document this by initialing the invoices.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff should document this by initialing the bank reconciliation and the balance in the checkbook.
- The Sheriff should require two signatures on all checks, with one being the Sheriff's.

Sheriff's Response:

Implemented some of these compensating controls.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John W. Myers, Clark County Judge/Executive
Honorable Ray E. Caudill, Clark County Sheriff
Members of the Clark County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clark County Sheriff for the period January 6, 2003 through December 31, 2003, and have issued our report thereon dated July 11, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clark County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff Should Eliminate The Deficit In His Fee Account
- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clark County Sheriff's financial statement for the period January 6, 2003 through December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only
- The Sheriff Should Deposit All Funds Received On A Daily Basis
- The Sheriff's Quarterly Financial Report Should Be Prepared In The Required Format And Submitted In A Timely Manner
- The Sheriff's Fee Account Settlement Should Be Filed By September 1 Each Year

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 11, 2005

